

Fairfax County Economic Index

Volume II, Number 8

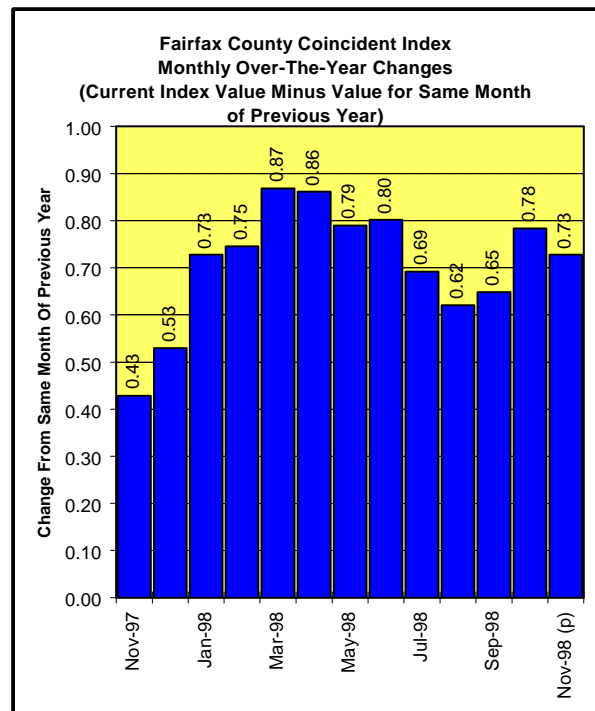
JANUARY 1999

Economy Stable in November Outlook Continues To Be Good

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, was 104.02 in November, the same level as in October. For the year, the Coincident Index has gained 0.65 percent but over the last four months, the Index registered no change in two months and a total gain of 0.03 percent in the other two. This moderation in the Index's growth rate is apparent by its convergence with its 12-month moving average starting in mid-year. November's performance reflected gains in three of the Index's four components offset by a sharp decline in the fourth component.

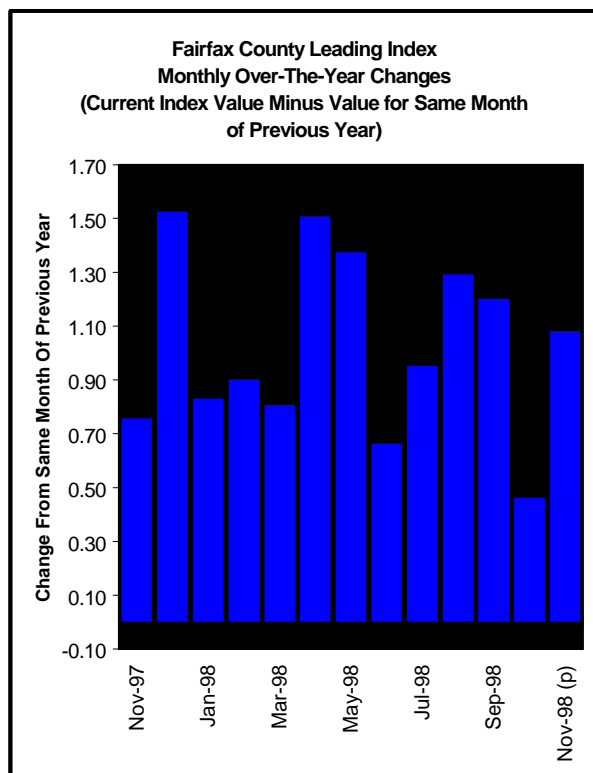
- Total employment was up 0.15 percent, gaining for the fifth consecutive month;
- Transient Occupancy Tax collections increased for the first time in six months; and
- Consumer confidence grew, gaining back its decline in October; while
- Sales Tax receipts declined sharply after recording a strong gain in October and have been down now in three of the last four months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance,



Source: GMU Center for Regional Analysis.

was 105.05 in November, up 0.16 percent from October and 0.4 percent for the year. While starting the year off pointing to strong growth during the fourth quarter, the Leading Index has been growing at the same rate as the 12-month trend pointing to more moderate growth in the future. In November,



Source: GMU Center for Regional Analysis.

gains in two of the Index's five components were responsible for its increase.

- Consumer expectations (confidence six months hence) increased for the first time in six months; and
- The mean value of residential building permits increased for the third time in four months after trending lower during the summer months; while
- New automobile registrations declined for the third time in four months; and
- Residential building permits also declined for the third time in four months; and
- Initial claims for unemployment insurance increased (worsened) for the third consecutive month.

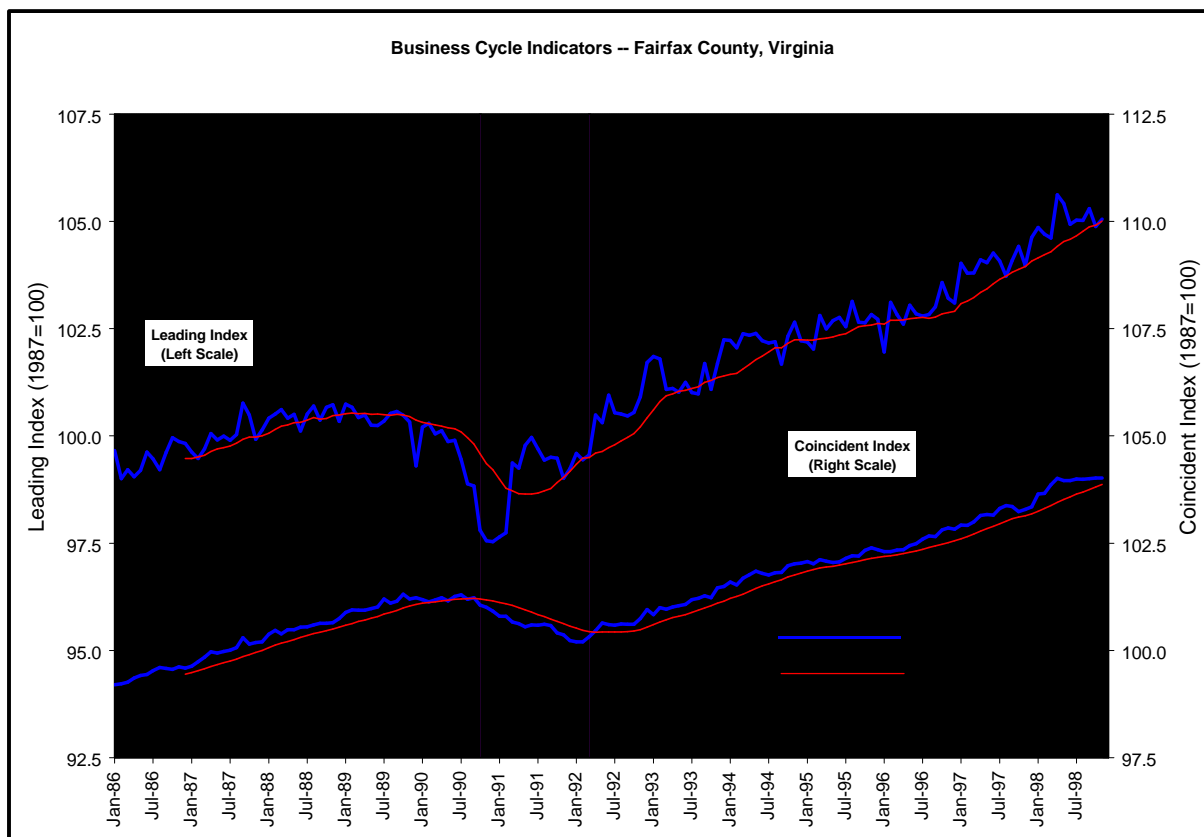
While the Fairfax County economy continued this year's strong performance through November, its growth rate has flattened out over the second half after sustaining accelerated growth beginning in mid-1997. The pattern of more moderate growth was predicted by the weaker performance of the Leading Index following its sharp gain in April.

CURRENT CONDITIONS

The flattening out of the County's growth curve since mid-year suggests that its sustainable growth rate has been reached at least temporarily and that growth of the local economy has stabilized at a level that continues to generate new jobs at an annual average rate of more than 4 percent with gains in consumer spending averaging better than 5 percent annually. Sustaining these high levels of job growth and increases in consumer spending confirms the fundamental strength of the County's economy.

The steady expansion of the County's economy has been built from both strong job growth and consumer spending. Job growth continues to average near 20,000 jobs on an annual basis accounting for approximately one-half of all new jobs generated in Northern Virginia and one-third of the job growth in the entire Washington metropolitan area. This job growth has been achieved in spite of an increasingly tight labor market as unemployment in the County dropped to a seasonally adjusted 1.6 percent from 2.0 percent in November 1997. Additionally, labor force growth has remained below 2 percent annually. Still, wage rates have not risen sharply as reflected in the overall inflation rate (US) of 1.6 percent for the year.

Recent performance trends among the indicators reflect this slowdown in the economic expansion. While job growth has been strong, its rate of monthly gain has narrowed since mid-year. Revenue from the Transient Occupancy Tax has declined each month since May until November's modest gain pointing to lower occupancy rates in the County's hotels.



Source: GMU Center for Regional Analysis.

A key variable in the economy's performance is consumer spending. After consumer confidence peaked in July, it has seesawed up and down in alternative months. This uncertainty has been reflected in weaker retail sales as illustrated by the downward trend in sales tax revenue which, while up from a year ago, has declined in three of the past four months.

The ability of the County's economy to sustain this high level of performance in 1999 will depend on consumer spending trends, filling new jobs, and capturing the associated payroll that the local economy is generating.

NEAR-TERM OUTLOOK

The Leading Index provides a measure of the County's future growth trend. In aggregate, the leading indicators have weakened over the second half of 1998. Beginning in June, the Index

declined in alternating months. This decline has not been large but has exceeded the intervening monthly gains. The result has been a downward drift to the Index to the point that it is no longer outperforming the growth trend characterizing the last 12 months. This deceleration points to a slower growth rate in 1999.

Individual leading indicators have been mixed; that is, they are not all pointing down simultaneously. Rather, they are seesawing with losses in one month being made up in the following month. The slight upward performance of the Leading Index in both September and November and losses in August and October suggest that the County's economy will decelerate slowly experiencing strong gains in some months to partially offset losses in other months. The result of this unevenness will be a slightly slower job growth in 1999 at about 3.8 percent rate and an overall gain in Gross Regional Product of 4.0 percent, down from 4.6 percent in 1998.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-98 Prelim.	Oct-98 Final	Nov-97 Final	Oct-98 to Nov-98	Nov-97 to Nov-98
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	104.02	104.02	103.29	0.00	0.70
Leading Index (1987 = 100)	105.05	104.88	103.97	0.16	1.04
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	483,433	482,721	464,149	0.15	4.15
<i>Total Covered Employment (Unadjusted)</i>	<i>485,188</i>	<i>481,229</i>	<i>465,834</i>	<i>0.82</i>	<i>4.15</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	302.4	295.8	236.0	2.21	28.14
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>514.0</i>	<i>483.4</i>	<i>386.5</i>	<i>6.35</i>	<i>33.01</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,462.0	8,613.6	7,047.1	-13.37	5.89
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,040.3</i>	<i>9,448.3</i>	<i>8,650.6</i>	<i>-4.32</i>	<i>4.51</i>
South Atlantic Consumer Confidence	179.2	174.0	160.5	2.99	11.65
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	4,847	5,357	4,790	-9.53	1.17
<i>Automobile Registrations (Unadjusted)</i>	<i>4,310</i>	<i>5,155</i>	<i>4,260</i>	<i>-16.39</i>	<i>1.17</i>
Initial Unemployment Claims (Seasonally Adjusted)	740	714	770	3.56	-3.90
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>666</i>	<i>657</i>	<i>693</i>	<i>1.37</i>	<i>-3.90</i>
South Atlantic Consumer Expectations	111.1	102.2	110.6	8.71	0.45
Residential Building Permits (Number of Units, Seasonally Adjusted)	498	828	1,128	-39.78	-55.82
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>440</i>	<i>899</i>	<i>996</i>	<i>-51.06</i>	<i>-55.82</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	80,943	56,674	34,366	42.82	135.53
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>110,136</i>	<i>76,444</i>	<i>45,174</i>	<i>44.07</i>	<i>143.80</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	548,203	546,185	538,763	0.37	1.75
<i>Total Labor Force (Unadjusted)</i>	<i>544,508</i>	<i>541,411</i>	<i>535,132</i>	<i>0.57</i>	<i>1.75</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.59	1.73	2.02	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.53</i>	<i>1.74</i>	<i>1.94</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

Prepared by:
**Center for Regional Analysis
George Mason University**

We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

Inquiries should be directed to:

The Fairfax County
Department of Management and Budget
12000 Government Center Parkway, Suite 561
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)